

Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 ERDA-05
AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07
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PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00
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FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 6868
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY CARACAS
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMEMBASSY DOHA

C O N F I D E N T I A L KUWAIT 5836

E.O. 11652: GDS
TAGS: ENRG, OPEC, QA
SUBJECT: KUWAITI PRESS REACTION TO DOHA OPEC MEETING: MAKING
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THE BEST OF A BAD THING

1. SUMMARY: FIRST KUWAITI PRESS REPORTS ON GOK ROLE AT
DOHA CONFERENCE OF OPEC COUNTRIES SUGGEST THAT KUWAIT PLAYED
KEY MODERATING ROLE BETWEEN THE 11-MEMBER MAJORITY, WHICH
IT PERHAPS RELUCTANTLY WENT ALONG WITH, AND THE SAUDI-UAE

BLOC. WHILE KUWAIT MAY INDEED HAVE PLAYED SUCH A ROLE, LOCAL PRESS ALSO INDICATES THAT DEEP DIFFERENCES REMAIN WITHIN OPEC AND LOCAL OIL MINISTRY OFFICIAL SAYS THAT THE OPEC AGREEMENT TO DISAGREE WILL BE A DISASTER FOR THE SALES PROSPECTS OF ALREADY OVER-PRICED KUWAITI CRUDE. CONFUSION MAY NOW REIGN IN THE GOK ON HOW TO IMPLEMENT THE RESULTS REACHED AT DOHA; APPARENTLY THE KUWAITIS WILL CONSULT WITH THE SAUDIS BEFORE TAKING ACTION. END SUMMARY.

2. FOLLOWING ARE SUMMARIES OF KUWAITI PRESS ARTICLES OF DEC. 18, WRITTEN BY NEWSMEN ON THE SCENE AT DOHA OPEC CONFERENCE:

A. AL-SIYASAH CARRIES A STORY TO EFFECT THAT KUWAITI OPEC DELEGATION SAVED OPEC FROM "EXPOSURE TO SPLITTING WHICH COULD HAVE LED TO CHAOS." WHEN SAUDI-UAE INTRANSIGENCE ON PRICING BECAME KNOWN, AND SEVERAL OIL MINISTERS WERE ABOUT TO LEAVE THE CONFERENCE IN TATTERS BY WALKING OUT EARLY, KUWAITI OIL MINISTER KAZEMI CALLED THE MINISTERS OF THE 11-MEMBER MAJORITY TOGETHER AT 2:30 A.M. ON DECEMBER 17 AND GOT THEM TO AGREE TO THE SUBSEQUENTLY-PUBLISHED "COMPROMISE PRICING FORMULA." REPORT ALLEGES THAT IF IT HAD NOT BEEN FOR THE KUWAITI INITIATIVE THE IRAQI AND IRANIAN MINISTERS WOULD HAVE DEPARTED THEN AND THERE, AND OPEC WOULD HAVE "DISINTEGRATED." THIS REPORT ALSO CREDITS KUWAIT WITH INITIATING THE SUBSEQUENTLY-APPROVED \$800 MILLION ALLOCATION TO SUPPORT OIL PURCHASES BY POOR COUNTRIES (WHICH ANOTHER REPORT ASSERTS WAS APPROVED AFTER INITIAL SAUDI/UAE OPPOSITION) AND WITH AN "INITIATIVE TO END THE PROBLEM OF PRICE DIFFERENTIALS" IN WHICH KUWAIT REPORTEDLY WAS SUCCESSFUL IN "CONVINCING IRAN" TO GO ALONG WITH THE CONFIDENTIAL

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MAJORITY.

B. ANOTHER AL-SIYASAH STORY SAYS US EX-AMBASSADOR AKINS WAS RIGHT WHEN (IN DOHA RECENTLY) HE PREDICTED "BLOOD ON THE FLOOR" AT THE OPEC CONFERENCE. ARTICLE CALLS THE TWO-TIER PRICING FORMULA A MERE PRESS COMMUNIQUE (RATHER THAN A FORMAL DECISION) DESIGNED TO DOWNPLAY DEEP DIVISIONS IN OPEC. ARTICLE ALSO UNDERLINES SAUDI RESENTMENT AT BEING DICTATED TO AND IRANIAN AND INDONESIAN SMUGNESS THAT "OPEC IS NO LONGER AN ORGANIZATION WHICH SIMPLY IMPLEMENTS SAUDI DESIRES." IT ALLEGES THAT OPEC MINISTERS WILL MEET NEXT IN PARIS AND THAT THEY WILL HOLD ANNUAL MINISTERIAL MEETING IN DECEMBER 1977 IN KUWAIT.

C. SAME ARTICLE REPORTS FOLLOWING THREE "SECRET AGREEMENTS," ARISING FROM DOHA MEETING, ARE ALLEGED TO HAVE BEEN CONSUMMATED: FIRST, AT KUWAITI INITIATIVE, AN AGREEMENT BY ALL OPEC MEMBERS TO REFRAIN FROM PUBLIC STATEMENTS CONCERNING OIL PRICES, SO AS NOT TO "INTERFERE" WITH FUTURE OPEC DELIBERATIONS. SECOND, AND AGREEMENT BY

THE 11-MEMBER OPEC MAJORITY (NOT INCLUDING SAUDI ARABIA OR UAE) TO "REDUCE THEIR OIL PRODUCTION AT A SPECIFIC RATE" TO OFFSET ANY POSSIBLE FUTURE SAUDI-UAE INCREASE IN PRODUCTION. THIRD, AN AGREEMENT THAT AN EMERGENCY OPEC MEETING WILL BE HELD IN MARCH 1977 IF THERE IS A "BREACH IN THE NORMS OF SALES AND PRICING, DUE TO THE TWO-TIER PRICING SYSTEM."

D. IN AN ASSERTED EXCLUSIVE INTERVIEW WITH IRANIAN OIL MINISTER AMUZEGAR, AL-SIYASAH QUOTES HIM AS WARNING THAT THE OIL COMPANIES WILL "PLAY A GAME" WITH TWO-TIER PRICING, WHICH MUST BE GUARDED AGAINST; AND THAT, WHILE OPEC IS "STILL STRONG," THE WESTERN PRESS WILL SAY THAT OPEC IS CRACKING UP. AMUZEGAR IS REPUTED AS CONFIDENT THAT "THERE WILL BE NO PRICE WAR" BECAUSE THE WORLD CANNOT DO WITHOUT THE 10 PERCENT-MORE-EXPENSIVE \$19 MILLION B/D OF THE 11-MEMBER OPEC MAJORITY. HE IS ALSO REPUTED AS SAYING THAT OPEC COUNTRIES SHOULD NOT BE BOUND BY SPECIFIC DIFFERENTIALS BUT SHOULD HAVE "MARKET FLEXIBILITY."

E. THE KUWAIT TIMES HAS WHAT MAY BE AN "EXCLUSIVE" FROM CONFIDENTIAL

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LIBYAN OIL MINISTER IZZUDDIN MABROUK, WHO IS REPORTED AS CALLING FOR OPEC UNITY AND CHARGING THAT THE SAUDI-UAE POSITION WILL "LEAD TO INCREASING THE PROFITS OF THE OIL COMPANIES." HE REPORTEDLY ADDED THAT THE WORLD ECONOMY "COULD EASILY ACCOMMODATE THE 10 PERCENT INCREASE" AND THAT, REGARDING ALGERIA'S REPORTED PLAN TO INCREASE PRICE BY 16 PERCENT, "THERE IS ABSOLUTELY NO DISAGREEMENT AMONG THE MEDITERRANEAN COUNTRIES ON THIS SUBJECT SINCE NO AGREEMENT ON DIFFERENTIALS WAS REACHED DURING THIS CONFERENCE."

3. THOUGH KUWAIT PRESS IS TALKING GAMELY OF KUWAIT'S MODERATING ROLE, IT APPEARS THAT THEY ARE TRYING TO MAKE THE BEST OF A BAD SITUATION. COMMENTING TO EMBOFF ON DOHA MEETING, LONG-TIME OIL MINISTRY OFFICIAL SAID KUWAIT HAD MADE A MISTAKE BY PUBLICLY STATING BEFORE MEETING THAT IT WOULD FOLLOW WILL OF MAJORITY. TWO-TIER SYSTEM, HE NOTED, WILL BE A DISASTER FOR KUWAIT, WHICH WAS ALREADY HAVING DIFFICULTY SELLING ITS HIGH-SULFUR CRUDE IN MONTHS BEFORE RECENT ARTIFICIAL SPURT IN DEMAND CAUSED BY ANTICIPATED OPEC PRICE RISE. IF KUWAIT HAD FOLLOWED ITS ECONOMIC INTEREST, OFFICIAL COMMENTED, IT WOULD HAVE GONE ALONG WITH SAUDI ARABIA. ALREADY OVER-PRICED, KUWAITI OIL WILL NOW BE EVEN MORE SO. IT IS PROBABLY FOR THIS REASON THAT OIL MINISTRY UNDERSECRETARY AND OPEC BOARD GOVERNOR MAHMOOD AL-'ADASANI LEAVES DEC. 19 FOR MEETINGS IN SAUDI ARABIA.

4. SHELL MANAGING DIRECTOR, WHO HAS BEEN ASKED BY HIS HEADQUARTERS TO DELAY CHRISTMAS LEAVE BECAUSE OF CONFUSION OVER TWO-TIER PRICE SYSTEM, FEELS IT WILL BE SOME TIME BEFORE KUWAITIS SORT OUT PRICE SITUATION. BESIDES INHERENT PROBLEMS

OF TWO-TIER SYSTEM, KUWAITIS ARE STILL FACED WITH PRICE DIFFERENTIALS PROBLEM, WHICH, SHELL REP SAID, WAS NOT RESOLVED AT DOHA, AND ABOUT WHICH ABOVE PRESS REPORTS CONFLICT.

5. IN AN INTERESTING SIDELIGHT, EMBOFF, DURING CALL AT OIL MINISTRY DEC. 18, SAW REPRESENTATIVE OF JAPANESE OIL CONFIDENTIAL

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IMPORTING COMPANY (SUMITOMO), WHO HAD BEEN WAITING FOUR HOURS (SINCE 7:30 A.M.) TO CALL ON MEMBER OF KUWAIT DELEGATION TO OPEC MEETING, ASSISTANT UNDERSECRETARY FOR ECONOMIC AFFAIRS DR. MUHAMMAD NASSEER. SUMITOMO HAS OIL PURCHASING CONTRACTS WITH BOTH ABU DHABI AND KUWAIT, REPRESENTATIVE SAID, AND HIS COMPANY NEEDED TO KNOW WHAT KUWAIT'S TERMS WOULD BE FOR 1977. UNFORTUNATELY, DR. NASSEER WAS STILL IN CONFERENCE WITH HIS SUPERIORS. MAESTRONE

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